

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1917 - SB 1737

March 27, 2011

SUMMARY OF BILL: Exempts textbooks and workbooks, including any accompanying CD-ROMs or digital products, from state and local sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$1,140,000

Decrease Local Revenue - \$481,600

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-329(a)(3), textbooks and workbooks are currently exempt from state and local sales tax.
- CD-ROMs or digital products that are packaged within the textbook or workbook (typically adhered to the inside rear cover of such books) are considered sales tax exempt for the purpose of this fiscal note.
- CD-ROMs or digital products which are related to and meant to accompany specific textbooks and workbooks, but are sold as separate supplementary items, are not considered sales tax exempt.
- The Department of Revenue estimates retail sales of textbooks and workbooks in Tennessee to be \$113,800,000 in FY11-12. This number is assumed to remain constant.
- Retail sales of CD-ROMs and digital products which are related to and meant to accompany specific textbooks and workbooks, but are sold as separate supplementary items, are estimated to be 15 percent of retail sales estimated for textbooks and workbooks (or \$17,070,000) in FY11-12. This number is assumed to remain constant.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive a 4.5925 percent share of state sales tax revenue as state-shared sales tax revenue.
- The net decrease in state revenue will be \$1,140,024 $[(\$17,070,000 \times 7.0\%) - (\$17,070,000 \times 7.0\% \times 4.5925\%)]$.
- The decrease in local government revenue will be \$481,626 $[(\$17,070,000 \times 2.5\%) + (\$17,070,000 \times 7.0\% \times 4.5925\%)]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc